

To the Members of the California State Senate:

I am returning Senate Bill No. 1729 without my signature.

While this bill attempts to address the pending Governmental Accounting Standards Board changes to public sector accounting for retiree healthcare benefits, the bill is drafted in a manner that could create new healthcare benefit obligations into the future that do not exist today.

The issues addressed by this bill are very important, and they require immediate attention. I look forward to working with all interested parties on legislation to create a structure for the state and local governments to prefund non-pension post-employment benefits. I am directing my staff and the Department of Finance to work with the parties interested in the bill before the new Legislative session convenes so the Legislature can address this issue early in the 2007-08 legislative session, possibly with urgency legislation. I am confident that by working together, all the interested parties can craft a structure that meets the needs of employers and employees without creating any unintended consequences.

Sincerely,

Arnold Schwarzenegger